



GSES ISSUE INDUSTRY LETTER DELAYING THE ENFORCEMENT OF PROPERTY INSURANCE REPLACEMENT COST VALUE COVERAGE



On May 9, 2024, [Fannie Mae](#) and [Freddie Mac](#) issued industry letters regarding clarifications made in recent guidance bulletins related to their replacement cost value (RCV) requirements for hazard insurance. These letters were issued in response to the industry's concerns with the ability to comply with the GSEs' mandate of annual verification of the coverage amount being RCV. The June 1, 2024 effective date for required operational procedures around the RCV verification requirement has been delayed until further notice.

Background

In recent guidance bulletins, the GSEs reiterated their insurance requirements, which included ensuring property hazard insurance was covered at RCV. The guidance required that lenders/servicers verify that the hazard insurance coverage amount issued on an annual basis was placed at RCV with any shortfall expected to be force-placed by the lender/servicer at the borrower's cost. The guidance was intended to ensure

mortgaged premises was insured; the coverage meets the minimum property insurance requirements outlined in the GSE guidelines; and the borrower has sufficient property insurance coverage to repair or rebuild their property in the event of a loss.

The GSEs received much feedback from industry partners concerned over their ability to verify RCV on an annual basis due to various insurance industry norms, which were not aligned with the GSEs. In an effort to evaluate these unique concerns and in consultation with the Federal Housing Finance Agency, the GSEs have indefinitely delayed the enforcement of the RCV verification requirement and any force-placed insurance requirement for any shortfall of a property's hazard insurance meeting RCV coverage amount.

The GSEs emphasized that their longstanding requirement that property insurance be covered at RCV has not changed and will continue to be their insurance requirement objective. In the event a lender/servicer does not have evidence of property insurance, force-placement of property insurance is still required.

OSC Implementation Efforts

OSC will continue implementation plans to capture and track to RCV when it's available and included on evidence of insurance documents or when RCV information is being provided by the lender/servicer. We will continue working with lenders/servicers in documenting all applicable Lender Procedure Guides unique to that lender/servicer as required in meeting GSE requirements.

Should you have questions related to this Bulletin, please reach out to your Client Services Manager.